



ADVISOR



TEACHERS, EMPLOYEES, PUBLIC, STATE POLICE AND JUDICIAL

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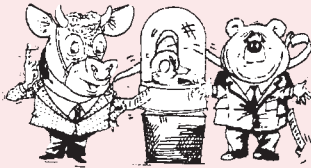
SERVING OVER 320,000 MEMBERS

December 2007

RSA Investment Performance

For the Year Ended
September 30, 2007

Fiscal year 2007 performance numbers have been finalized for all systems. Equities again led performance by a wide margin, with international equities providing stellar 12-month returns. Teachers' Retirement System (TRS) domestic equities posted a return of 16.60%, while international equities posted a return of 25.43%, for a weighted return of 18.84%. Total fixed income and alternatives return was 15.15%. The total TRS return for the fiscal year was 17.46%.



Employees' Retirement System (ERS) domestic equities gained 16.68%, while international equities posted a return of 25.50%, for a weighted return of 18.84%. Total fixed income and alternatives return was 16.48%. The total ERS return for the fiscal year was 17.92%.

The Judicial Retirement Fund (JRF) posted a total return on equities of 16.89%. International equities have been added to the portfolio, but 12-month returns are not available. The combined global equity portfolio returned 17.89%. The total fixed income and alternatives return was 7.16%. The total JRF return for the fiscal year was 14.27%.

Good News

The Report of Actuary on the Retiree Medical Valuation for September 30, 2006, has been released to PEEHIP. The results show the unfunded actuarial accrued liability has decreased by \$2.1 billion from \$14.6 to \$12.5 billion. The decrease is due primarily to the establishment of the Alabama Retired Education Employees' Health Care Trust.

Since its inception earlier this year, the trust has accumulated assets of approximately \$417 million. The PEEHIP Board has dedicated revenues to the trust from the tobacco surcharge, Medicare reimbursements, and savings from the new drug management programs, while also having a little good luck on medical inflation accounts.

While this is great news, further efforts, including increased employer and employee contributions, will be necessary to address the remaining \$12.5 billion liability and ensure adequate health care benefits in the future.

The \$1.02 billion cost for PEEHIP, as indicated below, does not include the nearly \$800 million needed to fund the \$12.5 billion liability.

Retirement Systems of Alabama Projected Employer Cost

(M = Millions)

	ACTUAL 2005-06	ACTUAL 2006-07	ESTIMATED 2007-08	ESTIMATED 2008-09
RETIREMENT:				
Teachers' Employer Cost	\$426 M	\$532 M	\$735 M	\$770 M
Employees' Regular - State	\$91 M	\$115 M	\$160 M	\$186 M
Judicial	\$9 M	\$9 M	\$10 M	\$10 M
TOTAL RETIREMENT	\$526 M	\$656 M	\$905 M	\$966 M

Public Education Employees' Health Insurance Projected Employer Cost

	ACTUAL 2005-06	ACTUAL 2006-07	ESTIMATED 2007-08	ESTIMATED 2008-09
HEALTH INSURANCE:				
PEEHIP:				
Regular - Paid by employers	\$805 M	\$882 M	\$953 M	\$978 M
Universities for retirees	\$39 M	\$40 M	\$41 M	\$42 M
Total Health Care	\$844 M	\$922 M	\$994 M	\$1,020 M

NOTES:

Claims costs and funding requirements for 2008-09 are based on 2006-07 data (the most recent historical data available). Therefore, the estimates are projected for two years from the actual experience period. These projections assume that the distribution of members by type of coverage selected will remain the same as the current distribution. Any significant variation in coverage distribution will have an impact on the claims and funding requirements. Variation in actual occurrence from actuarial assumptions could dramatically affect these Employer Cost estimates.

\$ Annual \$ Statement

Annual Statements for active members were mailed to each member participating in the Teachers' Retirement System during September and to members participating in the Employees' Retirement System during December. A member who moved from one agency to another after September 30, should contact his or her former employer if the member does not receive his or her statement. Members who have not changed employers and do not receive a statement should contact their personnel or payroll department.

Duplicates of lost or misplaced statements can be obtained from the Retirement System. Requests for duplicate statements, inquiries regarding data provided on the statement, and beneficiary changes should be addressed to the Retirement System through which the member participates, i.e., Teachers' Retirement System or Employees' Retirement System, P.O. Box 302150, Montgomery, AL 36130-2150. The request should include the member's name, address and Social Security number.

The statements reflect the account balance, service credits, and beneficiary designation effective on June 30, 2007, for members of the Teachers' Retirement System. For members of the Employees' Retirement System, the account balance, service credits, and beneficiary designation was effective on September 30, 2007.



WANT TO HELP?

A FREE Car Tag

Tired of that worn-out dealer tag on the front of your car? Would you like to help the RSA and our Alabama Tourist Department advertise "Alabama's Robert Trent Jones Golf Trail" on your front bumper? If so, call Tisha or Deborah to request a tag at (334) 242-5718, or 800-214-2158 ext. 1503, or write:

Tag
P.O. Box 302150
Montgomery, AL 36130-2150

RTJ Golf

By Ronnie Ramos, *Miami Herald*

They say, "If you build it, they will come."

The state of Alabama bet hundreds of millions of dollars on that saying. Long tired of watching the snowbirds drive through their state as fast as possible on the way to and from Florida, Alabama officials began looking for something to get tourists to spend some time.

Their answer was golf, lots of golf. Alabama undertook the largest golf course construction project in the world, building 324 holes in seven locations at one time. What they did had never been tried before, anywhere.

At the time the courses opened in 1992, Alabama's golf reputation was suspect and the notion that the state could become a mecca for golfers seemed far-fetched. It was Alabama's all-white Shoal Creek Club outside Birmingham that drew national attention in 1990 when its leadership said it would not integrate as it prepared to host one of golf's major tournaments. The club eventually changed its stance, but the controversy did not help the state's golf stature.

Enter David Bronner, the head of Alabama's pension fund and the man who came up with the mega-golf concept. Bronner hired one of the country's best-known golf course architects, Robert Trent Jones, and selected seven sites across the state, each of them less than 15 minutes from a major interstate.

Bronner knew he was taking a risk, betting that Alabama could become a golf destination. "People thought, 'This guy's a little goofy. Let's see if he hangs himself on this one,'" he recalled.

The Robert Trent Jones Golf Trail has become one of the country's best golf bargains—and the state's tourism revenue is up each year. While not all the increased tourism is golf-related, the trail has become the national standard copied, but never duplicated, around the country.

What the state got was "better than our wildest hopes and prayers," Bronner said. "The trail showed the industry that this was an undiscovered and unique setting."

Louisiana, Maine, Utah and Virginia

have launched their own golf trails. But none has been as successful as Alabama's. The golf courses, 432 holes at 10 sites, are world-class gems tucked into off-the-beaten-path places named Anniston, Opelika, Muscle Shoals and Dothan. "People don't believe it until they see it," Bronner said. His very next sentence captures the trail's attraction: "We also have the advantage that people have low expectations."

Not anymore.

With low rates and the addition of Marriott hotels at many sites, the trail has become a must-play destination for golfers and one of the country's best destinations for "buddy" trips.

The trail's crown jewel is Ross Bridge in the Birmingham suburb of Hoover. It's the most expensive of the trail sites, and worth every penny. We ended our four-day, seven-round guys' trip up and down the trail at the Renaissance Ross Bridge Golf Resort & Spa. The course opened in August 2005 as the third-longest in the world at 8,191 yards.

...You almost can't go wrong planning an itinerary along the trail. You can start at the north end at the Shoals in the northwest corner of the state and make your way south, or you can set up base in Prattville just outside Montgomery—with 114 holes on the trail within an hour's drive—or in Mobile (90 holes on site or nearby). We stayed in three places in four nights so we could see as many courses as possible, and it was too much driving.

If—make that when—we do it again, we will stay at the best-kept secret on the trail, the Montgomery Marriott Prattville Hotel. We couldn't afford the ultimate in golf accommodations: the presidential cottage, a five bedroom, two-story house that comes with a personal chef and butler.

More affordable is one of the two eight-room villas. In each villa, a common area with a pool table serves as the large living room for the eight rooms. It's a perfect setup for post-round festivities. From here, you can play the three Capitol Hill courses on site or make the hour drive east to Opelika and its three courses at Grand National, or go 50

How Much Is Your Health Insurance Worth?

miles south to play the 36 holes in Greenville's Cambrian Ridge.

Capitol Hill has three courses. The Judge starts off with perhaps the most visually stunning hole on the trail. The fairway is 200 feet below you as you tee off, and the Alabama River runs along the right side. It measures more than 7,700 yards from the tips.

...Most resorts boast one great course and then surround them with average to nondescript counterparts in an effort to keep you on the property. The advantage the trail has is that all the courses are tournament-quality layouts. Most have no houses anywhere—try finding that in Florida or in the Atlanta area. Capitol Hill, for example, has 1,500 acres of golf and natural areas.

Up in Muscle Shoals, another Marriott opened in June 2005 along the Tennessee River. Each of the rooms has a balcony overlooking the river. The two trail courses, Fighting Joe and Schoolmaster, also offer views of the river.

One of the common debates players have after playing both is which is the better course. Fighting Joe got the original wave of publicity when it opened first, in 2004. It's a massive course with rolling fairways and tough holes. The two courses were the first to stretch past 8,000 yards on the trail.

Schoolmaster is the prettier course, with captivating views of the river on No. 17; Wilson Lake on No. 18 provides a memorable finish.

There is little debate about the outstanding settings for the trail courses.

Consider the trail courses closest to metro Atlanta: Silver Lakes near Anniston is tucked away near Talladega National Forest, secluded from almost everything. The course, a little over a two-hour drive from downtown Atlanta, features three nines and a nine-hole short course. The greens are huge, most of them elevated against a backdrop of tall trees, making everything seem bigger.

As you stand on the tees surveying the tree-lined fairways, that's when the trail's charm takes hold and you realize why this crazy gamble on golf has worked so well.

For a retiree under age 65 with family coverage, the state will pay \$10,176 annually to subsidize that member's PEEHIP coverage, while the retiree will pay \$2,664. These amounts are equivalent to the annual retirement benefit of a retiree with an average final salary of \$25,680 and 25 years of service.

Consider the funding of retirement benefits versus health care benefits. For retirement benefits, the state pays approximately 14% of the cost, the mem-

TEACHERS (PEEHIP)

	Cost	State Paid	Member Paid
Active Employees			
Individual	334.00	332.00	2.00
Family	834.00	690.00	134.00
Retirees Under 65			
Individual	567.00	477.00	90.00
Family	1070.00	848.00	222.00
Retirees Over 65			
Individual	313.00	311.86	1.14
Family	625.00	532.86	92.14

ber pays approximately 10%, and investment income pays the remaining 76%. For PEEHIP health care benefits for a retiree under 65 with family coverage, the state pays approximately 79% of the cost, while the member pays the remaining 21%.

The table below illustrates the monthly cost of a PEEHIP or SEIB member's health insurance based on the member's age and coverage.

STATE EMPLOYEES (SEIB)

	Cost	State Paid	Member Paid
Active Employees			
Individual	328.00	328.00	0.00
Family	829.00	649.00	180.00
Retirees Under 65			
Individual	606.00	439.00	167.00
Family	1187.00	822.00	365.00
Retirees Over 65			
Individual	314.00	314.00	0.00
Family	631.00	510.00	121.00

Riverview's Renaissance

The old Riverview Plaza Hotel has been transformed into the beautiful Renaissance Riverview Plaza, with the help of a \$64 million refurbishment. All guest rooms and meeting rooms as well as the lobby and restaurant were gutted and totally renovated in a nautical theme.



RENAISSANCE.
RIVERVIEW PLAZA HOTEL
MOBILE, ALABAMA

During the ceremony, the Murphy High School Band played while the Renaissance flag was raised for the 28-story, 375 room hotel. With the recently opened Renaissance Battle House Hotel just two blocks away, Mobile has two of the finest hotels in the world.

Comparative Price List

SURGERY	U.S.	INDIA
Bone marrow transplant	\$400,000	\$30,000
Liver transplant	500,000	40,000
Open-heart surgery (CABG)	50,000	4,400
Neurosurgery	29,000	8,000
Knee surgery	16,000	4,500

Source: IBEF Research

ENJOY YOUR WINTER
A Special Deal
FOR RSA MEMBERS

The Battle House,

A Renaissance Hotel – Mobile – \$79

- Dec. 4–9, 13–30 • Jan. 1–8, 11–14, 27
- Feb. 5–14, 17–24

The Riverview Plaza,

A Renaissance Hotel – Mobile – \$69

- Dec. 8–10, 13–30 • Jan. 1–3, 7–15, 24, 27, 30
- Feb. 7, 10–14, 17–23

Marriott Grand – Point Clear – \$79

- Dec. 2, 6, 9, 16–20 • Jan. 1–9, 13–14, 20–29
 - Feb. 3–7, 9–12, 15–16, 24–29
- (Spa/Fitness Renovations – Feb. 24– March 2)

Marriott Grand – RSA Golf Package – \$159

Reservation Call-In Code – LOCD

Includes: Deluxe Room, One Round Golf for Two People. Call for Tee Times after booking package 1-251-990-6312

- Dec. 2, 6, 9, 16–20 • Jan. 1–9, 13–14, 20–29
- Feb. 3–7, 9–12, 15–16, 24–29

Marriott Shoals – Florence – \$69

- Dec. 1–5, 9–10, 16–28
- Jan. 4–7, 10–13, 22–24, 27–30
- Feb. 3–5, 10–12, 17–20, 28

Renaissance Ross Bridge – Hoover – \$79

- Dec. 2, 11, 16–20, 23–30
- Jan. 1–6 • Feb. 2, 4, 17, 18

Opelika Marriott – \$69

- Dec. 1–3, 6, 9–14, 18–31
- Jan. 1–4, 12–21, 26–31

Prattville Marriott – \$69

- Dec. 2–5, 8–9, 12, 14–31
- Jan. 1–10, 13–16, 19–24, 30–31
- Feb. 1–3, 6–7, 10, 13–16, 20–24

Book early because the rooms are limited at these special rates. These rates are not applicable to groups or conventions.

RABM, 800-228-9290

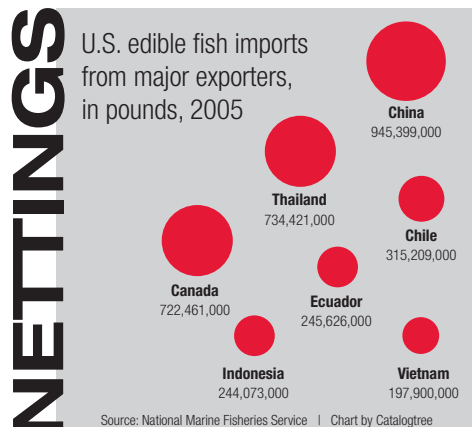
Raycom Expands

Picks up SEC Sports

Raycom, headquartered in Montgomery, announced in November it has entered into agreements to acquire Lincoln Financial Group's television operations and Lincoln Financial Sports for \$583 million. Raycom, created and financed by the RSA, currently owns or operates 42 television stations making it one of the nation's largest broadcast companies with over 3,200 employees.

The three new television stations are located in: Charlotte, NC; Richmond, VA; and Charleston, SC. Lincoln Financial Sports, long known as Jefferson Pilot, broadcasts SEC football and basketball throughout the Southeast. Raycom Sports currently broadcasts ACC football and basketball.

Following the closing, Raycom stations will cover 11.7% of U.S. television households with operations in 18 states.



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Report — Street Lights that are Out — to the Power Company!
Report — Weedy Lots — to the Mayor!